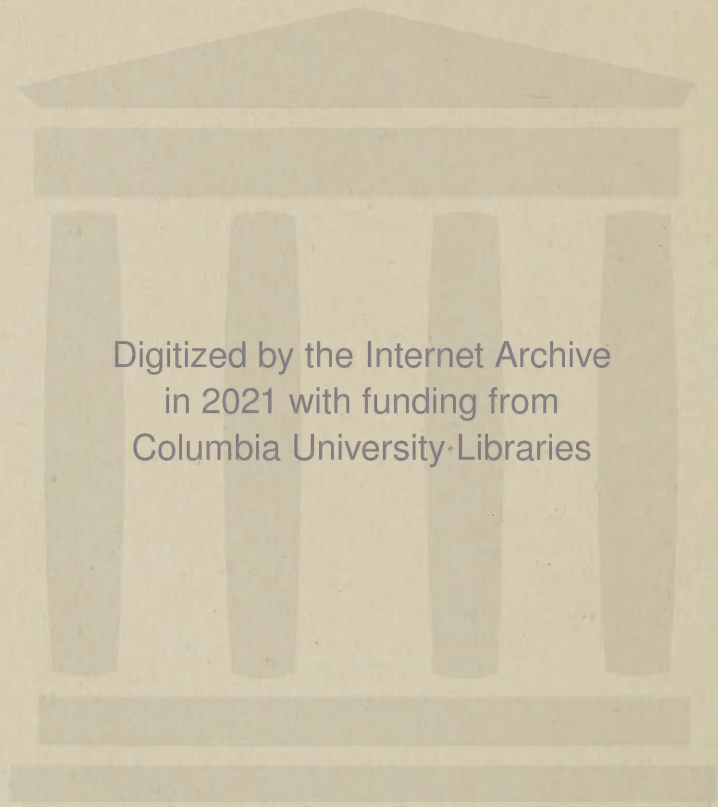
THE WORLD TOMORROW

THE MECHANICS & METALS
NATIONAL BANK
of THE CITY of NEW YORK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An Analysis of the Economic Relations of the Peace Era, as They Affect the World at Large

THE MECHANICS & METALS NATIONAL BANK
OF THE CITY OF NEW YORK
Capital, Surplus and Profits, $18,000,000

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Foreword

To Our Friends:

The people of the world have crossed the threshold of a new era. Hostilities are ended, the Peace Treaty is signed, and a New Day of Rebuilding is about to succeed the Great War.

In this volume we have sought to show the promise of this New Day. Frankly, we have presented the subject with a single dominating purpose in mind, namely, to outline the hopeful aspects of the situation.

This is not because we desire to voice any easy optimism—the kind, for example, that assumes that everything will come out all right now that the war is ended. It is because we feel the need of looking at the situation in a sane, but withal confident way. People are confused by the strange, new and perplexing problems that have arisen to confront them, and their confusion has not been helped by glum and despondent views that lately have been so frequently expressed.

We trust that what we have done will stimulate your faith in the recuperative powers of mankind, and strengthen your confidence in the world's economic future.

THE MECHANICS & METALS NATIONAL BANK
of the City of New York

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Contents

I	The World Tomorrow	11
II	The Effect of the War	16
III	Europe's War Legacy	22
IV	Meeting Europe's Needs	27
V	America's Position Today	38
VI	What Will Bring Recovery	45
VII	After Other Wars	52
VIII	England and France	59
IX	Germany's Experience	66
X	Forces That Lift Mankind	70
XI	Our Part in the Future	78

"God give us men! A time like this demands
Strong minds, great hearts, true faith and
ready hands . . .
Tall men, sun crowned, who live above the fog
In public duty and in private thinking."

The World Tomorrow

MORE and more, men find themselves setting against the price of the Great War its probable consequences. There are two distinct attitudes of mind regarding the new world era of peace and reconstruction upon which we are now embarked. One, based upon the wonderful ability that humanity has shown all through history to overcome the blight of war, is distinctly hopeful. The other, recognizing the evil consequences of the bloodshed and destruction which gripped the earth from the middle of 1914 up to within a few days of the opening of 1919, is admittedly grave.

Fundamentally, war is destruction, and the Great War was the most destructive the world has ever known. When one considers that there were involved more than a score of nations and fifteen hundred million people, some conception is gained of the tremendous scope of the war and of the reconstruction plans that must follow. By the effort exerted from 1914 until November,

1918, it would seem that civilization had been bent on destroying itself, yet those who all through held their faith in humanity and its powers, continue to maintain that there is a bright rather than a black future for all of us, in an economic as well as a social and moral sense.

By looking backward we can often see forward. Thus, by looking backward over the history of the world we gain a perspective that enables us to look into the future and judge what lies there. War has often ravaged the earth. In every generation, on one or another continent, war has destroyed lives, homes and hopes, and checked the march of civilization. *And yet mankind has advanced.*

Whether by war or in spite of it, or partly by war and partly in spite of it, each generation has moved a step forward from where the generation before left off. How are we to explain this? There are men, indeed, who say that the world has progressed because of war. They say that war is an energizing force, and has made the race advance by very reason of the supreme energy aroused to support it and carry it forward.

We all know, in a general way, that peace is not of itself energizing, and that the more profound it is the less is human energy required to get along. Peace within a nation—particularly the peace of prosperity in which idleness is made easy

—induces a contented inaction. War, on the other hand, arouses men to activity; it gives them a keen sense of danger, and we know that common danger is the most energizing of all the forces in the world.

War demands all that men and nations possess. It is essentially a toughening force. The greatest war of all human experience is the war that goes on within each of us; perpetual conflict against self is the force that has lifted mankind.

But no one is ready to believe any doctrine that suggests a blessing to the world in having men destroy their kind. More than that, no thinking person will conceive any result reached by war since the beginning of human history which might not have been reached by other means and at enormously less cost.

Warfare is unequivocally organized destruction, and because it is that, it can never in and of itself be constructive and profitable. The profit of warfare, as men reckon profit, is found only in the end for which warfare is undertaken. Moral and political freedom are the profit when warfare is entered upon for a righteous purpose. Loot is the profit when it is entered upon dishonestly. Humanity reckons the profit of the Great War in a moral measure; it calculates the gain of embattled civilization against barbarism in terms which

do not, in the final accounting, tangibly offset the terrific economic cost. Freedom cannot be set down in a balance sheet.

But it is evident that against the tangible cost of the war there must be an offset if the world is to advance economically. Purely material considerations entered into the waging of the war, and purely material considerations, appalling in their significance, confront us today in returning to the ways of peace.

Without necessarily subscribing to it for a single moment, it is by examining what underlies the doctrine which suggests that the world in the past has gone forward because of war, that we gain our hope regarding the world's material welfare in the future. For instance, we learn from such an examination that in many directions the very forces brought into being by war have served in the past to balance off a part of war's price and mitigate its blackest influence.

War is as old as mankind. So, also, ingenuity and courage are as old as mankind. War has always brought hardship and suffering. Human courage and ingenuity, in turn, have produced that with which to surmount the hardship and overcome the suffering. War has always called forth destructive forces in mankind. By a compensating paradox, it has also called forth

qualities to overcome those destructive forces: valor, self-reliance, capacity for sacrifice, immunity to hardship, ingenuity.

Looking to the future, then, there are certain human forces developed by the war that we can count upon to help balance the setback of the war, namely, the toughened moral fibre, the energized physical strength, the intense desire for restoring material welfare of the men who have returned from the fighting.

There are those, of course, who will not agree with this as a general statement; they maintain that in a situation so cross-currented and bewildering as that of today, out of which some men will come physically broken, others mentally weakened, and still others restive and dissatisfied, it is presumptuous to say positively what the future holds. Nevertheless, the forces that make for character were developed during the war. In the countries where the war sapped vitality very low these forces are not at present manifest, but in the other countries we have evidence that the war actually did organize men mentally and develop them physically.

II

The Effect of the War

IT would not do, at this or any other time, to put forward the points that lead to hopefulness regarding the future without considering them step by step with their offsetting considerations. Nothing is to be gained in any discussion that seeks from the outset to deny the immediate material effect of the Great War upon the world. The struggle of 1914-18 was literally world-embracing; it strained the very fabric of civilization and in some places resulted in chaos. Whole nations emerged exhausted and weak. Empires and dynasties were overthrown. Lives numbering millions, and embracing the very flower of productive manhood, were wiped out. Death claimed a terrible toll in the war; in addition Injury claimed its share. In every country that took part in the war, thousands of young men, one-armed, one-footed, blind or hurt in some such way that they are robbed of Youth's inheritance, must look forward to life in a different manner than was their custom five years ago.

Besides bringing about a vast extinction of the human inheritance, the Great War carried its effect very far in other directions. It touched, at some angle and in some fashion, everybody in every corner of the world. Upon numberless people it came with brutal emphasis, wrecking hopes and ambitions, desolating homes, trampling law, religion and art in the dust, laying waste cities, churches and other precious property of civilization. Railways, ships and factories were destroyed. Commercial intercourse was paralyzed, machinery of distribution dislocated, stocks of food and other materials necessary for the well-being of the human race decreased, and industrial development checked. The money cost of the war, which was $250,000,000,000, measured the energy that was diverted from peaceful endeavor to the forces of destruction. It measured, also, the degree in which the fixed wealth of nations was impaired and their fluid capital dissipated.

The destruction of the war was the greatest in all the civilized world's history. This has become a trite remark, yet it is one that in any discussion, however hopeful we seek to make it, would be foolhardy to ignore. Literally millions of people, constituting whole nations, emerged from the war lacking food and other materials necessary for their wellbeing, and lacking as well the available capital to command them. It is

not to be wondered that social and political disorder has swept over these people, and that Bolshevism, the violent outburst of which destroyed Russia's first step from tyranny to freedom, was succeeded by more or less kindred insanities in other countries. Even among the most sane and conservative countries unrest developed among the workers, partly because of the strain they had been under, partly because they had been expecting a new heaven and a new earth after the war, and partly because, not even yet having learned that money wages are not real wages, they would not accept reductions when peace returned.

It is no mere phrase that the Great War was the supreme effort of mankind. To pay the price of this effort mankind complicated matters by straining every means of finance at its command. Colossal war debts, amounting in all to roundly 200 billion dollars, are today outstanding against the nations that engaged in the war, against 25 billions early in 1914. There are outstanding, according to a responsible estimate made in London, 123 billion dollars of note circulation, as compared with 7½ billions before the war, although it should be said that the qualification is necessary that some 90 billions of post-war paper currency belong to Russia alone, and consequently in large part represent Bolshevik

finance. Omitting Russia altogether, however, there has been an increase in the fiduciary note circulation of the more important modern countries from about 7 billions before the war to about 33 billions now. At the same time an increase in the bank deposits in the chief trading countries during the war period of more than 25 billions is estimated; that is to say, an increase from approximately 25 billions before the war to over 50 billions today has been brought about.

In the train of the debts and currency issues of all the countries have come a burden of taxes, a confusion of banking and currency conditions, a dislocation of international exchange, an abnormal advance in prices and wages, and a thousand other things to confound the established order and make the post-war period a difficult one to face.

Thus, in brief, we can paint a picture of the world as it embarks upon its era of reconstruction. The picture is one that society has to consider today from many angles, and that, it must be admitted, many members of society contemplate in a very serious manner. In magnitude and importance nothing ever approached the Great War, and so, in magnitude and importance, nothing ever approached the problems that have

arisen out of the Great War, to confront us. Some of these problems are wholly new. Others are old, in new aspects. They resolve themselves into five classes: moral, social, international, economic and financial.

Morally, socially and politically, the problems that face the world are so formidable and so involved in their nature, that we have no present way of judging how the future will solve them. Statesmen today do no more than hazard a guess regarding what is before us. It has been truly said that the world is passing through a crisis, not merely of economic but of basic ideals. Society has been and is being made over, in every sense, and on the completeness with which the foundation of peace is built upon right doctrine, and justice and wisdom, will depend in a large measure the completeness with which society attains its ideals.

The moral, social and political sequel of the war offers one formidable group of problems to absorb our minds and efforts from today forward. There are to be considered the economic problems and the financial problems as well. The world has to consider these very seriously. The war's economic problems have to do with such things as reconstruction and rehabilitation, with supplies of goods necessary for life, with commerce and industry, with international trade, with labor,

with prices, with government control and labor restrictions and with the rights of property and individuals. The financial problems embrace those matters which govern capital and credit, state debts and currency inflations, taxes, deranged gold standards, the foreign exchanges and the national and international banking relations.

As with statesmen in their attitude toward the future of political and social problems, so with bankers in their attitude toward these other problems—the answers are too vaguely defined to permit any confident prediction, or more than expressions of hope and purpose. All the problems confronting the world are so immense that one's mind cannot at one time contemplate them all. Because of their magnitude, and because of the frightful wastage entailed by the war, the solution of the world's problems will not come in a week or a month, or even a year. One or another aspect of each of the problems arising out of the war will be with us through the balance of our lives, to be solved only as time develops them.

III

Europe's War Legacy

IT holds particularly true of Europe that problems arising out of the war will be continued through the balance of our lives, for the main battle area of the war was Europe, and Europe, which among the world's six continents was the least able to stand the damage, has been damaged the most. Here is its position:

Europe is the most densely populated part of the earth's surface. For generations international trade has been the source of wealth for all its principal countries, securing from their natural resources and from the skill of their inhabitants advantages which never could have been obtained if they had been shut up within themselves.

Broadly speaking, its people, not chiefly food producers, but essentially shop workers, are in large measure obliged for their existence to exchange their industrial production for food first of all, and then for other things. In the past they imported food and raw materials, exported great

amounts of finished goods, and paid for what they bought out of the earnings of their industries.

They cannot do that now in the same manner that was formerly their fashion. They must import food and raw materials, to be sure, but cannot match their purchases out of industrial production, for that has been disorganized and well nigh paralyzed by the war. To secure food and fresh supplies of raw materials for new fabrication and exchange, they face the compelling necessity of building up their industrial system again so that they can produce the wares out of which to pay for the food they buy, and prosper withal.

In face of this compelling necessity, the most essential feature of European life today is the complete up-side-down turn in its social relations, and the disruption of the delicate, nicely balanced machinery of business that has followed. The present state of affairs is so novel that it is truly said that the whole world's history has nothing comparable to offer.

Here are some of the factors coming out of the war, the combination of which have made a condition in Europe that is unprecedented in industrial history:

1. Manpower is impaired.
2. Bolshevism rules where government has broken down.

3. Food is scarce; none of Europe's needs is more poignant than for food.
4. Raw materials of every kind are urgently needed.
5. Machinery is worn down owing to the demands made upon it by the war; on the Continent much is destroyed.
6. Means of land transportation and communication have been seriously diminished; ocean tonnage is decreased.
7. Commercial intercourse is partially paralyzed; access to many sources of production is blocked, while intercourse with markets for finished materials is difficult.
8. Europe is poor; funds cannot be readily obtained to buy necessities.
9. Currency and credit conditions on the Continent are chaotic; international exchange rates are disorganized.
10. There is a staggering weight of national debts.
11. Taxes are unparalleled.
12. The cost of living has advanced.
13. Wages are far above the pre-war scale.

This summary, brief as it is, sums up the trials that face a continent. On that continent is a population of 450,000,000 people who must by some means procure the necessities that will

permit them to go on living; who must bring order out of disorder in politics, industry, trade and finance; and who must adjust a thousand difficulties that have arisen to confront them.

So now the solemn question is asked, how is this inconceivably huge mass of humanity going to live and act during the transition of reconstruction? Great Britain has worn its industrial machinery down in carrying on the war, and, moreover, is not a large food producer. A part of France is destroyed. Italy suffered greatly. Belgium is devastated. Russia, Rumania, and the other granaries of the eastern world cannot be counted upon for much, for there the spirits of anarchy are contending fiercely, and the people are too distracted in their social and political woes to produce their former great surplus quantities of food. Besides, the peasants are without seed to plant their fields. Their farm machinery is destroyed and their farm animals have disappeared. As for Germany and Austria, defeated, morally stricken, stripped bare of goods and subject to the peace terms, no immediate or vigorous help is expected there.

Only one present answer can be given to the question regarding the outlook. *Undamaged parts of the world must aid the damaged parts.* Starving people must be fed from other continents. Industries must be revived out of materials sent from

oversea. Co-operation must be brought about so that unemployed people may do something, so that languishing trade may be revived, and so that the products of highly industrialized communities may again find a market that will return profits out of which the price of restoration may eventually be paid.

Briefly, then, looking to the immediate future, it is in the resources and the constructive capacity of a group of nations, unweakened by the war, wherein lies the hope of the world. Looking at the picture we have painted, Europe is the darkest shadow of the background. Where, then, are the high lights? They are the United States first of all, then the nations of Europe that remained neutral, the South American countries, Canada, Australia, South Africa, and parts of the Orient, particularly Japan. It is from these quarters that, before anything else, there must be supplied the strength with which the world is to leave the legacies of the war behind.

IV

Meeting Europe's Needs

THE accomplishment of the United States in the war set up an impressive picture of this nation's wealth. The wealth is here. It lies in our soil, our mines, our factories, our railroads. It lies in our adaptability and inventiveness, and in our organization as a people.

Up to five years ago few of us realized the tremendous wealth of the United States. We realize it now, for we have had a demonstration of all that it can do. The statement will bear repeating at this time, in light of the new peace-time dependence upon us, that, measured in terms of money, our material wealth is placed roughly at $300,000,000,000. It is more than double the wealth of any other single nation. It exceeds the combined wealth of the British Empire, France and Germany. It is five times the wealth of Russia. It is more than the wealth of all Continental Europe outside of Germany. It is one-third the reckoned wealth of the world.

The great fundamental item of our material wealth is land, which produces in abundance all those things that supply humanity's needs. Our land gives in such quantity those things that Nature has provided—products of farms, forests and mines—that other nations expect now, more than ever, to draw their life from us. And so capably have we developed the instruments by which Nature's gifts are made available to humanity—factories, shops, mill, railroads, waterways—that other nations rightly look hither for all those products which they require yet cannot themselves supply.

Writing of our position in the post-war period, an English observer expressed himself recently as follows:

"With her late arrival [in the war], vaster resources and incomparably greater recuperative power, America will feel the economic strain but little in comparison with others. * * * Americans are so young as a nation. * * * They will take this war in their stride, we will have to climb laboriously over it. For Americans the war, nationally speaking, will have been but a bracing of the muscles and nerves, a clearing of the skin and eyes."

This summary may be somewhat overdrawn, nevertheless it gives us some conception of the manner in which people abroad are measuring

their position in the world against that of ourselves, who, at the outset, sought to hold aloof from Europe in observance of strict neutrality, and were thus thought to be the least affected of the nations. When we actively entered the war, in 1917, we avowed that we sought no territorial advantages or financial profit. We have emerged from the war without a single inch of additional territory, and without a penny of punitive indemnity, but in spite of ourselves we have obtained, relative to other nations, a tremendously important position, and it is not stretching a figure of speech too far to say that the whole world is looking hither for help and support.

As they interest the United States, Europe's present primary needs classify themselves thus:

Food,
Goods,
Credit,
Sympathy.

To take the last of these first: sympathy of an intelligent and understanding kind is essential to the welfare of Europe during the early part of the reconstruction period, else the other three needs named will not be satisfied in the proper manner. A realization that Europe's condition is tragically altered from what it was five years ago must govern our attitude in everything we do,

for then we will the more readily supply the goods and credit for Europe's upbuilding.

In this connection we have to recognize one thing very clearly. It is that whatever succor we render will be no act of charity, however deep may be our debt to the nations of the Allies. Whatever we do, to use the words of Prof. Lothrop Stoddard in a recent review, will be "a plain matter of self-interest and self-preservation."

"The Allies are imperilled by a new foe—Bolshevism," declared this writer; "Bolshevism, the implacable foe of liberty, of democracy, of ordered progress. Once more we must 'go in or go under,' this time not so much with men and guns as with food, with funds and with every ounce of our initiative and moral power."

Bolshevism has thus far fed on idleness and physical starvation. "Its propaganda" wrote a first hand observer recently, "is bad stuff, but healthy, well fed workers reject it with loathing or laugh it to scorn. It is the hungry, the idle, the despairing, who seize upon the Bolshevist narcotic to ease their pains and forget present miseries in hashish dreams."

Political unrest always has borne relationship to hunger and idleness, and always will. The relationship is painfully apparent today. It is true that political unrest was not ended by the war, and that a wave of radicalism has swept

over large areas of Europe, and communicated itself, in one form or another, to the rest of the world. Civilization, more than at any time before, is in a state of flux. While moral forces are counted upon very largely to help the progress of reconstruction, we have got to consider the drags that are operating today against these moral forces, and set the power of our advantages in operation against them.

So much, then, for Europe's need for intelligent sympathy—a sympathy that will help supply the material things that Europe needs. These are the goods above all else that it needs, and that we can supply: grain and provisions; machinery, railroad equipment and rolling stock; steel, iron, copper and other metals; wool, cotton and lumber.

These goods are needed up to an unlimited amount. Food is the first requisite, for none of the countries can produce enough for home consumption owing to the lack of seed, work animals and farm equipment. The same circumstances that call upon us to send food call upon us to send materials to relieve a people oppressed by a most harassing situation—one in which industry is benumbed because tools and materials necessary to relieve disorganization actually do not exist.

As for credit, the statement is hardly required that our willingness to extend financial accommodation against which various nations and people may draw, until such time when they can meet their obligations with goods or gold, will count strongly henceforward. If people abroad are to buy goods of us, credits will have to be arranged in their behalf, and we will find it necessary to accept these as the only kind of payment our customers can afford for the present.

Henry P. Davison, of the banking firm of J. P. Morgan & Co., recently summed up the situation thus:

"Continental Europe is nearly prostrate. She needs food, materials—about everything in fact that America can furnish her. She owes America about $10,000,000,000. She has got to have materials, but how can she pay?

"The equation sums up to this: Europe—all Europe—must have our materials, for our sake. There never was such a situation before, and, as it is extraordinary, the solution must be extraordinary, but simple, too.

"First, the requirements of Europe must be coordinated * * * I believe it possible to organize in Europe a committee to pass upon the demands of all countries.

"When this committee makes a request, we will comply. It is essential to coordinate our industrial

and financial interests as regards exports, so that the proper credits can be extended * * *

"Europe no longer has false pride in asking credit, nothing will be concealed. The organization mentioned should include everybody in the United States who wants to join. Then the banking interests could place these debentures with the public, distributed as widely as possible. Complete agreement should exist with the Administration and with the Treasury Department, which, we know, will do everything reasonable for American trade."

The suggestion has been made frequently that the United States Government should continue making advances to Europe during the period of reconstruction, just as it did, up to $10,000,000,000, during the war. In answer to this suggestion, a statement recently attributed to Oscar T. Crosby, one of the financial advisors to the American delegates at the Peace Conference, is worthy of attention. This statement is as follows:

"Governments should not be mixed up in these affairs. The only solution is for private initiative to be left to work out the problem. Groups of European bankers, who are familiar with the situation in their own countries must get together and make a survey of the conditions which they have to meet, and then submit them to American

bankers for approval. In this way the use of the money will be subjected to the same scrutiny as would be accorded to money loaned to a private individual. This would not be the case if the money were loaned to the Government. Moreover, in all probability it would then be reloaned to the industries of the foreign country at a lower rate than would be required of Americans, and since in the last analysis the money belongs to the American people, they would have just complaint were they to be placed at such a disadvantage."

Looking to the future, then, we have to regard ourselves not only as world traders, but world bankers and world investors as well. Goods must be supplied to Europe, and credit must be extended to finance the purchase of those goods. Credit must be extended in large amounts, and it must be extended, moreover, at a time when high costs of labor and materials at home are in themselves making greater working capital imperative throughout American industry, while our national development, which was retarded by the war, is also demanding vast amounts of money.

When we recall the ease with which we supplied $25,000,000,000 of goods for export to Europe during the war period, we cannot doubt the ade-

quacy of our resources to meet the trade opportunities that peace has thrust upon us. And when we recall the manner in which we supplied $10,000,000,000 credit to the Allies within twenty-four months after our entrance into the war, following several billions previously supplied during 1915 and 1916, we cannot doubt our ability to meet the banking opportunities that peace has thrust upon us.

We have every confidence that American banking can keep pace with the advance of the world in the period that is ahead. Having lessened our European debt while Europe was piling up her debt with us, and having equipped ourselves with a sound and elastic currency system, *the part to be played by the United States in the reconstruction period can be made a dominating one.*

The war taught us how elastic our banking system is, and how far it can be utilized. That system responded readily and adequately to the sudden and tremendous demands that were made upon it in a great crisis, and while peace has not imposed its demands suddenly, it will in the course of time, with its tremendous problems of reconstruction, impose them in equal magnitude.

It is pretty well recognized, of course, that commercial banking assistance by itself will not be enough. Long-term credits must very largely supplement the others, for as Europe's balance

of trade in our favor grows, foreign buyers will not be in a position immediately to meet any great volume of 90 day or six month commercial credits. So that credit in the form of investment securities will have to be negotiated, American investors taking them in the same manner that they are accustomed to take domestic investment securities as they are offered.

It can be judged from this short outline of our position how full and brilliant an era of opportunity has opened before us. Unless every sign fails, New York will hereafter share with London the prestige and power of the world's financial center, and in looking ahead we must view all our problems from a world standpoint, as distinguished from a national or local standpoint.

It remains to be seen in what manner the American spirit will develop under these new economic relations. It remains to be seen, further, in what degree we accept the idea of a genuine community of interest throughout the world, and in what corresponding degree we contribute our part to working out, through the means of our enlarged opportunities, of a greater unity of nations. We have in the United States today a commercial and financial independence never before experienced. The extraordinary showing of power in face of the political and economic

convulsion of the war has given the United States a remarkable prestige, and as our strategic position, commercially, will be strong after the close of the war, it rests upon us to use our financial position with the determination to apply the advantage that has come to us with a wide vision and reasonable promptness, not for ourselves alone, but for all the world.

V

America's Position Today

AS it has transpired, our part in the world's social and economic mechanism has become a vital one. No matter what was our provincialism in the past, or our position of isolation as a country of the western hemisphere, with 3,000 miles of water separating us from Europe, we have been thrust by circumstances into a place that means inevitably a position of world responsibility and leadership. Even if we would, after our part in the task of saving Europe and the whole world from Prussian domination, we could no longer be detached and self-sufficient. The resources of our human intellect and energy, and of our natural wealth, are in pressing demand, and must be placed at the service of Europe in much the same manner that they were placed during the war.

We hear it said very often, when our obligation in this matter is discussed, that it is all very well to be solicitous for the welfare of our fellow men, but that we must be watchful of Europe.

"Europe wants to rehabilitate its industry in order that it may get back to where it can outstrip us in competitive markets" is the burden of the objection to any extraordinary activity on our part in extending help. That the vital necessity of regaining lost commerce will lead not only to an effort to undersell American manufacturers throughout the world, but right here in our home market, is a statement that is frequently made; based on the assumption that the people of Europe are so poverty stricken that they will sell for anything, it presents a picture of bitter trade competition.

What so many people maintain is that, because the world has not been buying from the United States since 1914 out of choice, but by compulsion, a drastic change must occur when the world can again exercise its choice and buy its goods where it pleases. The war having brought the world upon supernormal times, peace has made these times subject to severe readjustment. More than that, "super-organization" is a word that came to be applied in Europe some time ago; and, this "super-organization" is mentioned very frequently today as an element that, with the national coordination of industry under the direction of Government bureaus, will speedily restore European trade to its former advantageous competitive position. It is maintained, by people

who are not hopefully inclined toward our trade future, that Europe's great need for restoring productive pursuits, now that the fighting is done, will drive its merchants and manufacturers into the markets of the outside world in a desperate endeavor to offset the losses which the war inflicted, making of these markets a cockpit for a life and death struggle among the exporting nations. Other things mentioned are hostile tariffs that will operate directly against us, as well as a return to a low wage scale that will contribute to the destructive competition in neutral markets, so that a high tide of foreign goods will accompany hither a high tide of broken, unskilled immigrant labor, upsetting existing conditions in such a fashion that laws will have to be enacted for the protection of the nation and its industries.

We can expect, naturally enough, that to re-establish themselves the nations of the Old World will use every means at their disposal to win back what they have lost since the middle of 1914. But can there really be any serious belief in the present ability of Europe, even though the impulse is there, to go out into the world's markets and flood them with merchandise at prices against which American manufacturers cannot compete? Everywhere the first duty is the restoration of the heart and arteries of commerce. France,

Belgium, Serbia, Poland, Rumania and Italy were all invaded. Instead of energetically competing for trade, these countries need an enormous supply of materials to make good the ravages of war. In a large part of France complete rehabilitation is required. Belgium has to be built all over again industrially; her ruined cities, factories, bridges and warehouses require material in immense volume. England will require time and effort to resume its old place in the established order. Germany and Austria, each with its government overthrown and its trade and industry devitalized, is currently believed to be, despite some opinions to the contrary, in worse position than any of the large nations other than Russia, where anarchy has destroyed all hope of any immediate resumption of peaceful pursuits.

Relying upon impaired industrial plants and transportation facilities, stripped of raw materials, with a reduced labor supply, with workers generally seeking to improve their condition at the expense of capital, and with wages necessarily high because of the inflated currencies, advantages that were in other years important factors in establishing Europe in the world's export market no longer exist. As against Europe's disorganization, the United States was left by the war in remarkably favorable circumstances, and has advantages that no other nation can possibly

match. There is an abundance of labor and materials in this country, and comparatively little direct dislocation of our industrial and transportation machine. Indeed, so far as we can see, we are *the only great industrial nation equipped with working forces, plant facilities, and capital sufficient to turn out immediately what Europe wants at once.*

All that is being seen today bears out the assertion made long before peace was signed that war changes would affect the countries of the world far more through readjustments in trade relationships than through any indemnities, or public debts, or appropriations of land and property. Although at the peace table it received no money indemnity or territory, the United States has gained a new place in the world.

And yet with the European countries the future growth of foreign trade is vital. On a more or less even footing they will hereafter seek to place the fruits of their industry in the world's markets, in order to gain a profit out of which to overcome the losses of the war and pay for the things they need. Europe's whole economic scheme, embracing its system of social, industrial and financial development, is welded into an organization that has for its basic purpose the exploitation of manufacturing and trade, and deeply as the war has

shocked that scheme, it remains the one that Europe relies upon to restore its former prosperity.

But if that system is to function in a way that will help a continent's scores of millions to look with hope on the future, help from the United States must be secured without stint. Far more must be bought of us than is sold here.

Under the circumstances, it is hard to understand in what way immediate and fierce competition in the markets of the world is likely. With so many men dead on the battlefields, and so many disabled, with wage scales one to three times above the pre-war level, and with currency inflation preventing any early readjustment, Europe is tremendously handicapped in its efforts to command cheap labor to turn out cheap goods for export at a profit.

It is plain, then, that we are fairly launched on a broad current that leads into virtually every one of the world's export markets, and particularly to those of Europe. And even though some of the countries abroad, by a supreme effort, presently send out products in larger amounts than current expectations allow, it will only be to get back products of other countries, principally those of our own. So that the effect will be in our favor.

The buying power of every country is its own power of production and manufacture, and in the long run foreign trade is based on an interchange of goods. So that an export movement from Europe in the near future would help the world, rather than hinder it, in its return to a semblance of normal life. Any one-sided situation, with this country continually selling and Europe continually buying, would be out of the question, for eventually foreign buyers would not have enough money or credit to meet their purchases, and they then would have to stop.

There will be no profit to us in permitting fear of possible competition to deter us from helping supply Europe's needs. For these needs are *immediate;* they signify social, industrial and financial hardship, unless they are relieved.

VI

What Will Bring Recovery

THE security of the loans that are made to assist Europe in its recovery is a matter that gives many people much concern. Factors that will largely determine this security are the changes in population that have been brought about, the destruction of wealth, the future earning power of the people, the amount of new capital they will be able to save, and the taxes they must pay.

These are weighty factors, but there is abundant evidence that loans can be supported, provided, of course, that the renewal of industrial production is not delayed too long. Europe is heavily in debt, as a consequence of the war, but each one of the countries with which we shall have dealings is rich in natural resources and has a power inherent in its population that should carry it over hardship and difficulties.

There is a deep-rooted conviction in many minds that the world's increasing wealth and productivity will make the financial burdens of

the war lighter as time goes on. After all, finance furnishes only one problem of the war's sequel, but if that problem in all its ramifications is solved wisely and well, many of the others with which the world has to cope will be made less appalling.

Far-seeing bankers are not cast down over the prospect. In war-time they learned many things to apply on the return of peace. Great reservoirs of credit hitherto unthought of were mobilized from the time war began, and out of those reservoirs there were secured sums never before dreamed of. The bankers of the world secured and directed approximately 200 billion dollars of credit for the purpose of war in a period of little more than fifty months. If such a very large sum could be secured and directed for *destructive* purposes during the war interval, another very large sum can be secured and directed for *constructive* purposes now that the war is ended and peace needs have developed.

Of course, this is not to say that it will be an easy matter to provide unlimited amounts of credit henceforward, for after all the world's reservoirs are not inexhaustible, and the rate at which they were called upon to supply war requirements from 1914 forward drained them at an appalling rate. The indebtedness of the nations and the inflation of their currencies measure the drain that has gone on. But credit

will be had, and properly directed will bring the world back to normal again. Unparalleled as the various national debts have grown to be, the very fact of their existence is one reason why one may look out upon the future with hope, for these debts show how far, in the face of a great need, men can and will go.

The determining factor of the whole matter of credit has always been not so much the amount required, as the power of the people to support that credit. England proved the strength of its credit—although that was very low in the eye of lender after the Battle of Waterloo—by increasing its wealth sevenfold in the century that followed 1814. In similar fashion France increased its wealth during that period sixfold, notwithstanding the effect of its revolution in 1848 and the Franco-Prussian War in 1870. After the Civil War, we increased our wealth twentyfold.

Europe today faces the necessity to repair damage and recover what has been swept out of its grasp, but the very pressure of that necessity is expected to inspire its inhabitants to keener intelligence and effort. By reason of its scourge war has made its victims more resourceful and alert; suffering and sacrifice were ever the widest avenues of progress.

We can expect, then, that thought and endeavor will be stimulated. The human mind will make large use of the inventiveness and ingenuity that have been brought into play during the war and that even in the hours of greatest stress gave improvements that will be of economic value for all time. Under the pressure of war men learned lessons in adaptability, production, economy and thrift. They learned how better to use the gifts of nature. They learned lessons in industry, transportation and finance.

Necessity will have much to do with all that transpires, just as has been the case in the past. Necessity does not wait for new devices. If new devices are not forthcoming, it stimulates old devices. But more often than not, new devices *are* forthcoming. Through sheer necessity, ingenuity has repeatedly been brought into play by men to supply what self-reliance and other attributes could not supply. Thus the first well of water, the first animal used for conveyance, the first plow, the first grain pestle and the first drainage canal each came, we know, as a direct product of the ingenuity which mankind brought into play to offset hardship. Conceivably, they came as a product of war. For where formerly the time of two men may have been required to carry water long distances, we can see how the well may have at once made up the loss of those

men in battle. The first drought animal, conceivably, offset the loss of three men killed in battle, who had been carriers. The first plow may have counterbalanced the loss of four men whose work had been to turn the soil with sticks. The first drainage canal may have created wealth that offset the loss of fifty men in battle.

The experience of nations has been only an epitome of the experience of the human race—a constant struggling upward against odds. Any man who has come out of the Great War with his moral fibre strengthened, whose physical make-up has been energized, and whose ambition to recover material loss has led to the undertaking of supreme tasks, is today a better citizen than the idle, supine product of some forms of what we used to call civilization. And by the same token any nation that is made up of men energized and stimulated by the prolonged effort in the military sphere for the struggle of life, will go forward in the economic sphere in more rapid progression than a nation of men made comfortable and idle by peace, no matter what the resources of the latter nation may be.

"Success in trade and industry, as in war," someone wrote a long time ago, "depends after all not so much on the possession of dead resources

as on the intelligence, ability, energy and industry of men." It is just these invisible forces that have been England's possession and glory, and that up to this moment have brought that country through all its trials. Borneo is more blessed by nature than England—yet between those two islands there is a wide difference. England's whole story has been one of struggle, and she has progressed so far as to be the center of the greatest empire of all time.

None of us can fully calculate the effect of the lessons of organization, industry and discipline on the millions of men who have returned home from the firing line. Moreover none of us can fully calculate the effect on the people behind the lines of sacrifices they were called upon to make. Upon whole nations, the war taught frugality, while economy and thrift became national virtues. Scores of millions of people from the beginning of the war were compelled not only to curtail their wants, but also to curtail the consumption of certain commodities formerly considered necessary in life. They were made to match their use of food and material not to what they desired, but to the smallest amount on which they could get along. Children learned from their mothers to supply their own necessities, and more than that, to supply the necessities of their fathers on the firing line.

Will the lessons thus learned soon be forgotten? No thoughtful person can believe that they will be. People have been brought to a realization of what absolute necessities are, so that, by the very reason of its scourge, war has itself offset a part of its own enormous statistical cost. The money spent by the nations in the war was of great magnitude. But against that there must be remembered the saving brought about. In bulk, scores of millions of dollars devoted daily to destructive effort was huge in the public eye because it was spent in one direction, and through a single group of agencies. In the aggregate, the amount would also bulk large were it known what had been the daily expenditure for impermanent and unproductive things before the war, for luxuries that were not bought during the war and will not be bought by many people so long as the war is remembered.

VII

After Other Wars

IN considering the security of the credit that is to be extended to Europe during the reconstruction period, it is too early yet to consider the nations apart. They have to be considered as a unit in any forecast of future conditions inasmuch as whatever forecast is made must be very general in its scope. That is because no one can tell which country or countries will revive first, and which will be delayed.

Recovery from the war blight will come sooner than most people suppose. Though there is no greater fallacy than the notion that in great destructive wars financial booms are born, to those who cannot believe otherwise than that the Great War has left all of Europe hopelessly crushed and ruined, and industry dead, the experience of other wars gives food for thought. There is no need to go back to the times of Tyre and Ninevah, or the wars of Xerxes, the Romans, Tartars or Hannibal. Theirs were wars of destruction entirely, or of absorption, in which conquered people were led

to slavery. Xerxes burned Athens to the ground, Hannibal destroyed Roman cities and in turn the Romans razed Carthage.

The conduct of modern warfare, while relentless, and, as Germany showed, barbarous according to the brutality of those engaged, is different from that of long ago. It is a contradiction of terms to speak of "civilized warfare," nevertheless warfare does not bring the economic extinction that it once did.

We are all interested at this time in those wars whose evil influence was soon overcome, because of the hope they hold out to the world today. Precedents are plentiful enough. For example we have the precedent of Great Britain's prosperity after the costly Boer War. We have the precedent of Japanese and Russian development after the Russo-Japanese War. We have the precedent of the war in 1912-13 among the Balkan States. That was a "small" war, to be sure, but European statesmen at the time dwelt upon the extreme exhaustion of the Balkans, and remarked that there would be prolonged peace on that account. Economists estimated that the hostilities of 1912-1913 in Southeastern Europe resulted in an outright destruction of $2,000,000,000 of capital. In proportion to the wealth of the nations involved, that was very great. Yet the prominent part in the early period of the

Great War of three of the States which fought so desperately in 1912 and 1913—Serbia, Turkey and Bulgaria—showed the power of recuperation that is inherent in mankind.

Among precedents that can be recalled by men and women who are still alive is the experience of the years following the Civil War in the United States. No war theretofore had been more bitterly fought or more costly; the total financial burden, including three years of reconstruction, has been placed at eight billion dollars, of which five billions were borne by the North and three billions by the South. The South suffered keenly, and did not recover for a long time. But that was because of special circumstances, for the North forged ahead rapidly, swinging at last into a great boom that was not exhausted until the panic of 1873, ten years after Gettysburg.

Even before the end of the war the North had developed a large trade activity. John Sherman wrote on November 14, 1863, of the "wonderful prosperity" of all classes, especially of laborers. "We are," he observed, "only another example of a people growing rich in a great war. And this is not shown simply by inflated prices, but by increased production, new manufacturing establishments, new railroads, houses, etc. Indeed, every branch of business is active and hopeful."

It was in the interval of the Civil War that the North laid the foundation of its prosperity. Opportunities of vast importance began to open themselves at that time, and in 1865, when a million citizens were turned from organized destruction to the pursuit of peaceful industry, the avenues of employment and production were widened in a degree that soon gave occupation to all who wanted occupation. The West was opened; where a few years previously the prairie schooners made wheel ruts across the Continent, tracks of steel were laid. The Union and Central Pacific railways, built during the war, were finished in 1866, just as a number of other lines were begun. In 1869, four years after the end of the war, 2,979 miles of new railway were constructed in the United States. In 1870 the total was lifted to 4,615. From 1860 to 1871, railway mileage in the United States increased from 30,000 to nearly 60,000 miles. Here was a notable accomplishment of a post-war period that prepared for the development of interior communities. Purchases of public lands doubled and trebled, towns appeared on the prairie, business developed, banks were formed and grew. All things combined to stimulate the progress of the United States at that time.

History furnishes many examples of burdens placed upon men and nations which called forth such powers that in their development the men and nations broadened and grew very strong. Going back several hundred years from the Civil War, the experience of Holland is worth recalling, for it is one that stands out in bold relief.

The drama of the Dutch folk—whose home was located on a hand breadth of the earth's surface that once had been an outcast of both ocean and earth and was known as the Mudbank of the North Sea—has often been told. It is that of simple people engaged for generations in stubborn struggle against hostile elements, made to enter into a struggle more fierce against the despotism of hostile men. Holland was united to Spain in the latter part of the fifteenth century and thereafter the effort to gain independence racked the little province in a war that lasted not one year or even ten, but a hundred. Spain carried on a merciless aggression and made the lowland inhabitants suffer as few people up to the invasion of Belgium, in 1914, ever suffered. Cities were sacked, garrisons put to the sword, wealth confiscated. In the middle of the Sixteenth Century the Inquisition with all its horrors was imposed on the people.

One would suppose that, worn and impoverished by prolonged conflict, and disheartened by their

failure to throw off the Spanish yoke, the people would have bowed their heads to conditions as they were, making the best peace that was offered. History tells us, on the contrary, how desperately they fought on, overcoming all obstacles until in 1580, led by William of Orange, their freedom was boldly declared. From that time forward the Dutch began to recoup their war losses by devoting themselves to trade with an energy and initiative that stir the imagination. The people took what was left of their desolate homeland, and out of the ruins built a finer and richer nation than they had ever known.

Not only did they restore their markets at home; they cultivated their markets abroad. It was in 1609, long before Spain finally recognized the independence of Holland, that Hendrik Hudson entered the mouth of the river in the New World which today bears his name, on that voyage which helped lay the foundation for a commercial position which is today the great marvel of the Dutch nation.

Holland's wars followed one another closely—against England in 1652-54 and in 1664-67, against England and France combined in 1672, and with England against France in 1688. Holland was apparently exhausted, yet, almost as if the race had been unconsciously educated by its great struggles to go on fighting and had gained a

momentum that must carry it somewhere, it went abroad and by hard commercial warfare bound itself by water highways with the furthermost ends of the world. From the Treaty of Utrecht in 1713 until Napoleon's troops overran the Netherlands in 1793 and exacted tribute to France, the little nation reached its greatness as a world power. And Holland today, in area the size of Maryland, in population no greater than New York City, shows how it has overcome its misfortunes of the past by its trade and by the extent of its outlying colonies, the more important of which came to her 300 years ago in her hour of travail.

VIII

England and France

IT is extremely interesting at this time of doubt and misgiving regarding the future to examine the histories of the two countries of the Allies upon which the Great War imposed the heaviest burden. Few countries have in the past fought more bitter or more exhausting wars than England and France. Particularly is this true of the period of the Napoleonic Wars at the close of the Eighteenth and the opening of the Nineteenth Centuries. All testimony is to the effect that the period which immediately followed those wars was for both England and France one of bitter distress. Yet when one lengthens the telescope with which the events are scanned, he finds that there was more real progress crowded into the ensuing period than in the whole of the preceding history of the world. At the opening of the Nineteenth Century there was not a steam train or a steam vessel on the face of the earth. There was not an electric motor, cotton loom, telephone, automatic reaper or binder. No cable or tele-

graph linked the people together. Enterprise was individual, manufacture was chiefly by hand, and conducted in small units.

Then came a series of wonderful changes in the economic world. Reforms followed rapidly, one on another. Watt having given the world the steam engine, Fulton the steamboat, Eli Whitney the cotton gin and Hargreave and Arkwright the cotton spinning machine, there was supplied the means wherewith to bring about a tremendous forward impetus. Capacity for production grew with notable strides. Steam power took the place of human muscle and revolutionized trade. Coal came into commercial use, cotton replaced flax and wool. Commercial intercourse increased and there came about an entirely new interchange between nations and men.

Europe's progress after Waterloo is associated with discovery, science, invention, adaptation and industry, all of which, pressed to satisfy men's needs, afforded new means of production and communication, vastly cheapening the cost of output and at the same time increasing wealth. New manufactures came with new roads and new means of transit. Banking was transformed, and primitive instincts and individual activity were abandoned for the tremendous power of organization.

The campaigns against Napoleon Bonaparte cost England three billion dollars, and imposed upon her people a bond interest and government upkeep expense equal to 20 per cent of their entire income. Bankruptcy was predicted and permanent prostration. In 1814, the year that marked the end of fighting, British consols were quoted at 54½. Then came an advance. Three years afterward they were thirty points higher. In 1824 they were 97. England, in that interval, made seven-league strides toward the premier place among the industrial and commercial nations of the world.

Of this period Macaulay wrote, in his History of England:

"The beggared, bankrupt society, not only proved able to meet its obligations, but while meeting them grew richer and richer so fast that the growth could almost be discerned with the eye. In every country we saw wastes recently turned into gardens; in every city we saw new streets and squares and markets; more brilliant lamps; more abundant supplies of water."

It is a prevalent impression that France has lost in this war much of its economic power. But regarding France we have a series of remarkable precedents to guide us. "Three times in the past

two centuries," writes Alexander Dana Noyes, "France has been completely defeated and left in a state of economic exhaustion—at the end of the long campaign of Louis XIV, at the final overthrow of Napoleon, and at the crushing climax of the Franco-Prussian War. In the first, her commercial dominance appeared to have had its *coup-de-grace;* in the second her European empire disintegrated, in the third a very important part of her own territory and an enormous ransom were exacted. Yet after each of these experiences, the world witnessed the extraordinary spectacle of France promptly resuming her place in the economic system, and in the end displaying a tangible economic power even greater than before."

The years after Napoleon's abdication were years of peace for the French Empire, peace forced by exhaustion as much as any other single influence. Yet France recovered so rapidly, and resumed a place in the economic system so promptly, as to astonish the world. After the "Hundred Days" and the Battle of Waterloo, the leading powers arrayed against France—Austria, England, Prussia and Russia—combined to punish and confine her financially and economically, as they had done politically. They desired no further trouble from that quarter. In the second Treaty of Paris they deprived the Empire of territory that supported 500,000 inhabitants,

and they imposed a war indemnity that was very heavy, in the measure of that period. It was 700,000,000 francs ($140,000,000). They garrisoned 18 French fortresses with 150,000 allied troops, supported at French expense. The estimate is made that the total cost to France of the episode of the "Hundred Days" was $1,200,000,000.

France, like England, was enfeebled, distraught, and burdened with debt. Its statesmen looked out upon a gloomy prospect, for the nation was at a lower pitch of power than it had reached before in a century. People were in want, and hoards of soldiers, returning from the wars to seek peaceful employment, found only idleness. Burdened with the consequences of twenty years of revolutionary and Napoleonic wars, the French shouldered their responsibility, re-established their national credit, and paid off the war indemnity at such a rate that by the close of 1818, after three years, the allied troops withdrew from France.

Instead of remaining crushed, the French nation thereupon reasserted its position and influence among the dominant powers of Europe. From 1815 to 1818 the restored House of Bourbon was compelled to issue five per cent government rentes at prices varying from 67½ to 57½ in order to secure funds to meet the heavy war indemnity, take up large unpaid balances of the imperial

expenditure, and restore the treasury. So complete was the recovery which followed this low ebb of government that ten years after Waterloo rentes were at a premium, commanding a price in the open market of 104¾.

France in those years displayed a tangible economic power greater than before. Following the surrender of Paris, 56 years later, it displayed a tangible economic power that was greater still. France was made in 1871 to endure a strain designed by Bismarck to crush her. Beside the cost of her portion of the disastrous conflict against Prussia, she was stripped of Alsace and Lorraine, (provinces covering 5,600 square miles of territory), ordered to pay a $1,000,000,000 indemnity, and made to support a German army of 500,000 men, with 150,000 horses, pending the full satisfaction of her victor. Having sustained a decrease of population on account of the war, the cession of Alsace-Lorraine meant an additional loss of 1,600,000 people.

Torn by internal revolution which came even before Napoleon III's surrender and the Commune, the outlook was black, yet in less than three years the war indemnity was paid and, more wonderful still, the thrifty French peasants were actually lending their money abroad to the Germans who thought by their unparalleled indemnity to bear them down for generations.

In the first year following the Franco-Prussian War a loan of more than 2,000 million francs ($400,000,000) was over-subscribed by the French investors two and a half times. In 1872 a loan for a similar amount was over-subscribed twenty-two times, subscriptions amounting to $8,500,000,000 being received in advance of the offering, the larger part representing foreign capital. After the war of 1871, the 5 per cent war indemnity bonds of France, originally sold at 82½ and 84½ respectively, sold above 100 on September 7th, 1874. They went to 121¼ on March 25, 1881.

IX

Germany's Experience

OTHER than Russia, Germany stands before the world the most humbled and heavily burdened of the chief European powers. Vanquished, and with resources depleted by its effort to yoke a brutal military control on the world, the Peace Treaty has compelled it to assume a part of the war expense that was incurred by other nations. With an indemnity super-imposed upon a huge internal war debt, with territory taken away, with many commercial routes closed to it indefinitely by an outraged world, with its former government overthrown, and with internal social conditions deeply disturbed, Germany today is a spectacle of arrogance brought very low.

Germany's position is an unhappy one. So it was after the long Thirty Years' War of the seventeenth century, and yet at that time Germany gave example of recovery from war that has a distinct lesson at this time for those who believe that country to be hopelessly crushed by defeat and the Peace Treaty.

The Thirty Years' War was of such a nature that, according to one historian, "in character, in intelligence and morality, the German people were set back 200 years." Season after season from 1618 up to the time of the peace of Westphalia, in 1648, when German territory was surrendered to France and Sweden, hostilities carried forward until at last all those involved were worn out. Industries and commercial routes were obliterated. Towns were leveled to the ground, homes became charred masses and scattered hovels and farms were desolated, until the whole countryside was a grim monument to the power of the war.

When peace was signed, hardly one person remained of every three who walked abroad in Germany thirty years before. Population had fallen, by responsible estimate, from 30,000,000 to 12,000,000. Baring-Gould has written of Germany's situation in 1648: "Two-thirds of the inhabitants had perished, not only by the sword, but by the miseries which followed in the train of war—famine and pestilence. Hundreds of villages had disappeared; others stood empty, unpopulated. The corn fields were trampled down and untilled. Trade had failed in the towns. The streets were deserted and grass grown, the doors of the houses were broken in. Shattered windows of many dwellings showed that the

inhabitants were dead or were wanderers. * * * In the little duchy of Wurtemburg, in the Thirty Years' War, 8 towns, 45 villages, 68 churches and 36,000 houses were destroyed. In the seven years between 1634-41, in Wurtemburg alone, 345,000 persons perished. In Thuringia, before the war, in 19 villages were 1,773 families; of these only 316 remained after it. Before the war there were half a million inhabitants in the Palatinate; at the peace of Westphalia there were 48,000. * * * So terrible had been the famine during the war that cases of cannabalism were not rare. Bands of men were formed who lived like wild beasts, preying on those they caught. Near Worms such a band was attacked and dispersed, as they were cooking, in a cauldron, human legs and arms. Starving creatures cut down criminals from the gallows to eat them. So great was the depopulation that in Franconia the State passed a law authorizing every man to marry two wives and forbidding men and women from becoming monks and nuns."

It was from such abject misery as these terms and figures signify that Germany arose. Frederick William, the "Great Elector," laid the foundation of empire in Germany's ruins, and laid them so well that in a comparatively few years Europe saw Germany stepping forth to conquer, successfully encountering both France and Sweden

in less than a generation after its surrender of territory to those countries.

An account of the period succeeding the Thirty Years' War is contained in Frederick Kohlrausch's History of Germany.

"In Germany the natural energy of the people speedily aroused itself," declares that account. "A life of activity and serious application very soon succeeded in a proportionate degree to that which had so long been characterized by disorder and negligence. It is thus that the two extremes often meet. The demoralization so generally existing * * * obliged the princes now to devote all their attention and care toward re-establishing the exercise of religious worship, and restoring the schools and ecclesiastical institutions; measures which never fail to produce beneficial results. But it was agriculture which more especially made rapid strides in the improvements introduced, and which was pursued with an activity hitherto unexampled * * * Population showed everywhere the most active industry in the cultivation of the soil, so that within a short space of time the barren fields were replaced by fertile meadows, and fruitful gardens amidst smiling villages greeted the eye in every part."

X

Forces That Lift Mankind

FROM what has gone before, the reader will recognize that it has often been some profound and unlooked-for circumstance that counterbalanced the destructive effect of war, and made nations progress more rapidly after peace was restored than before it was broken. A vital change in trade routes, in the tools with which men work, or in the manner in which they work, unquestionably accounted for the pace of recovery from other wars.

Extraordinary forces enabled Holland to lift her head from the prostration of the long years of war against Spain. The tapping of rich sources of virgin wealth accounted for this. Extraordinary forces enabled England to lift her head from the prostration of the long years of war against Napoleon. The transformation in industry made possible as steam gave mankind mastery over time and space, accounted for this. Extraordinary forces served to help the American nation grow after the Civil War. Following 1865

there came the opening and development of the Great West. The Atlantic cable and the American telegraph became commercial realities, establishing a new means of rapid communication. Commercial intercourse developed, and manufacturing and agricultural developments went forward with extraordinary rapidity. Capital was found for liberal expansion so that not only was the new West built up, but the Eastern States, presumably pressed down under the weight of war's legacy, expanded rapidly.

Nothing is more certain than the part that the opening of new trade routes and continents, and the development of mechanical power, have played in the progress of civilized nations. But it does not hold that *only* through the benefits gained from new trade routes, new continents and mechanical power has the blight of war been overcome in the past. The recovery of Germany from the Thirty Years' War was due to no fundamental and revolutionary change in the people's way of doing things to acquire wealth. It had its beginning and end in the energetic devotion of the people to husbandry. "It was agriculture which more especially made rapid strides in the improvements introduced, and which was pursued with an activity hitherto unexampled," wrote Frederick Kohlrausch.

Throughout history, the law of compensation and the ability of men so to make over their tools and arrange conveniences to meet their needs, have repeatedly been made manifest. The beast of burden has given way to the self-propelled vehicle, the sailing vessel to the steamship, the candle and the oil lamp to gas and the electric light, and the long distance courier to the telephone and telegraph. Labor-saving machinery has made it possible to accumulate wealth more rapidly than it was ever destroyed. Men have shown themselves even more resourceful in constructive work than in destructive militarism.

Many people say that there will not be repeated the expansion that came to Europe after the wars of the Seventeenth Century, coincident with the profoundly important discoveries that opened new trade routes. They say that there will not be repeated the boom that followed the Napoleonic Wars, coincident with the series of inventions that revolutionized industry. They say that there will not be repeated the boom that came to the United States after the Civil War, coincident with the development of steam power, the opening of a great and fertile continent, and the tremendous impetus in the use of electricity.

They say all this because it is the easy and obvious thing to say. One can very easily argue that the circumstances that brought about the

rapid recovery after other wars were in every case exceptional. But offsetting every argument against the future economic development of the world is the faith possessed by all of us that men have not stopped and cannot stop progressing. There is still room for development. Compare the conditions of today with the conditions of 100 years ago. It is like comparing the conditions of this planet with the conditions of another planet. Material and industrial progress has been accelerative. More progress has been embraced in the past hundred years than in the hundred years before; more in the past fifty years than in the fifty years before; more in the past ten years than in the decade before. And yet we believe that we have only begun to develop and invent.

Modern intelligence, energy and invention combined to make warfare more destructive than ever before. That same intelligence, energy and invention are already being used to bring about a more rapid reconstruction than heretofore was thought possible. It is futile to say what education, invention and discovery will or will not do, one, five or ten years hence. The world opens its possibilities before us, so do all the forces at our command. Transportation and means of communication, on land and water, are being improved all the time. As for the air, the flying machine offers an alluring prospect. Such progress has

been made in improving both the dirigible and the heavier-than-air machine that the day is not far off when aircraft are expected to speed on schedule over the highways of commerce.

The war hastened invention that otherwise would have required years. It developed processes of production of which the world will doubtless soon learn when it is felt that war secrets can safely be revealed. Moreover, the war brought industrial lessons to thousands of individuals who now know the processes of machine production. It is not only that production was speeded up during the war, nor only that the physical effort put into work was greater. But old methods, retained through conservatism or custom, were scrapped and new methods were introduced. These methods will remain, making production greater than before the war, even though the physical and mental effort put forth by individuals is no greater.

During the war vast numbers of women entered industry. Having become producers they like their independence and their work, and will not readily give it up. They will add to production, increase the real wealth of the world, and relieve men for industry, agriculture and mining, where there is unlimited room for exploration.

Science can be counted on for very much. Far reaching advances in the technical domain, in

physics and chemistry are before us. A famous chemist has made the statement that what mankind knows about chemistry is, to all he might know, as the amount of the ocean's surface that can be covered with the palm of a man's hand is to the whole breadth of that surface.

The gas and steam engine afford infinite room for achievement. So does the electric dynamo. There appeared before the war a statement from an eminent inventor, in which the belief was expressed that civilization soon would be based on electricity. "The popular mind" wrote this man, "fails to grasp the enormous and wholly revolutionary change in the methods upon which the world depends for the production and distribution of energy for industrial, domestic and other purposes." And he added, "it may be said that civilization is on the point of making another gigantic stride, a stride so vast as to place it in effect on an entirely new plane."

This forecast does not sound extravagant to an imaginative mind, or to a mind that has sought to measure man's wonderful gains in the recent past. Should it be fulfilled, no one can say how long it will be before the economic burdens saddled upon us by this war are overcome, leaving us in coming years to press forward to new heights of material prosperity. A century ago the stationary

engine, the locomotive and the steamship replaced the slow, awkward and inadequate smithy, stage-coach and sailing vessel. Within this generation the electric dynamo, the steamless engine and the motor-driven vessel came into being. Up to today they have not replaced the stationary engine, the locomotive and steamship, but they have supplemented them to such a degree that the value of the tools and convenience of a few years ago has been doubled, quadrupled, octupled.

Each epoch-making step in civilization toward better production and communication has been made possible by some development or revolution in methods, costs, and usage of a given commodity. As costs of services decreased, their use increased, and whereas new inventions were luxuries at first, they have since become absolute necessities.

After all, progress consists largely in elimination. Remove a restriction and throw off a restraint, and you enlarge liberty. Get rid of a superfluity and you reduce cost. Reduce cost and you gain economy. Gain economy and you are capable of bearing a burden that otherwise could never have been borne.

It has been called a strange custom that defines things at first by their missing quality. *Wireless* telegraphy, *fireless* cookery, *hammerless* guns, *smokeless* powder, *horseless* carriages: the terms are familiar to us all. They all signify the with-

drawal of a part of something that previously existed, but that for the sake of progress had to be eliminated. It is a strange custom, that of defining progress by designating elimination, but it is eloquent of what we have at the moment in mind.

XI

Our Part In The Future

WAR, with all its lust for destruction, makes one think of the baser element that has entered into the building of the human structure. At the same time the way in which recuperation from war has repeatedly been brought about compels one to recognize and admire, profoundly, that fine quality in man's makeup that stimulates him to overcome such destruction as war has brought about.

Outside himself, and inside, man has from the beginning of time found much on which to build for his future. Devastating wars have been survived. People have come out of them with a vigor and an inspiration to lift themselves from the ruins of home and country and forge gloriously ahead. While it cannot be repeated too often that the Great War was an economic calamity, it cannot be repeated too often that the calamity of the Great War will not be abiding. Refined by trial, men believe more than ever before in themselves and in their destiny. So they are

turning their energies again to field, mine, factory and markets, planning to produce what others require in order that they may exchange those things for what they themselves need. The destruction of the war is ended, and fighting men are released again for productive work. They and all the other war-workers are free to devote themselves to the production of real wealth for the relief of suffering. It is in goods and services that real wealth lies, and progress henceforward will rest upon the speed with which the rapid production of goods and services is resumed.

Bolshevism and social disorder have to be considered, and their baneful effects recognized, when we talk of resumption of production and of progress. But deep within all of us there is a certainty that Bolshevism will be mastered. After Russia's mad excess of anarchy, order will resume its sway as it did after the French Revolution, while Capital and Labor in other countries, in their common attack on the problems of reconstruction, will find a sufficient community of interest to prevent any such thing as the universal social revolution that crack brained agitators have been predicting. Reactions spend their force according to their violence; the anarchy in Russia, which first carried everything before it, is by its very violence driving men back again to the arms of the law. As for the Anglo-Saxon

people, it is not expected under any conditions that they will be partners with the Bolshevists or the anarchists. Free from political tyranny and having an ingrained respect for law and order, these people will not take part in breaking up civilization.

Moreover, we must not lose sight of this: even though exhausted by the war, the nations of the Allies in Europe have emerged victorious, and possess within themselves the spirit of victory. That spirit is bound to exercise a vital influence in the new period. It is a common expression, although its general application is not warranted, that the moral fibre of foreign people has been injured by the war, and that this injury is one of the greatest of all that have occurred. In special cases this may be true. At the same time the moral elevation of the English, French, Belgian and Italian people since the war ended can be counted upon positively in the long run to help the recovery. Had the Allies been defeated and crushed under a rule of false ideals, we can judge how moral despair would have seized upon mankind, operating to check for many years the progress of reconstruction. But they were victors, and today the future can be regarded in a clearer moral light than before for that very reason.

It is a strange, new and perplexing generation that we have entered upon. Nevertheless, with the calamity of war behind us and a new day of rebuilding dawning, mankind looks out upon a future large with hope. "The world is a wreck;" people said a year ago and are still saying today. But the question needs to be asked, "What kind of a wreck is it?" Along our shores are ships that lie with masts and sides gone, and with gaunt ribs facing the sky. They will never sail the seas again, but will lie where they are until time and tide break them up.

Is the world that kind of a wreck? Or is it like the ships that have crashed on rocks, but staggered bravely on their voyage until harbor and safety were reached?

Or again, is it, in its present state, like a great temple that, having fallen, men must rebuild? John Galsworthy pictures it thus:

"The ground is rubbled with stones—fallen, and still falling. Each must be replaced; freshly shaped, cemented, and mortised in, that the whole may once more stand firm and fair. In good time, to a clearer sky than we are fortunate enough to look on, our temple shall rise again. The birds shall not long build in its broken walls, nor lichens moss it. The winds shall not long play through these now jagged windows, nor the

rain drift in, nor moonlight fill it with ghosts and shadows. To the glory of man we will stanchion, and raise, and roof anew."

The answer to every question that is being asked to-day, as to whether the world is for long to be a wreck or ruin, lies immediately before us, and will be given in exactly the measure that nations and men, by co-operation and mutual effort, seek to overcome the misfortunes that have come to them.

Though we are dealing with definite, tangible, material things, we must recognize above all that it is the invisible forces that dominate all the others, and that are the greatest in the world. "The outlook would be distinctly depressing," declared a recent writer, "but for one fact which comforted Homer in the reconstruction period following the Trojan war, and which has been faithfully re-established at each dark and cataclysmic moment of history, namely, *that the destinies have granted to the children of men an astonishingly enduring heart. They can stand anything.*"

Man's fortitude has created within him great powers; in due course these will manifest themselves in the character, capacity and organization of the people of all nations. Necessity to regain a grievous loss faces the world; the extent of the damage wrought in the Great War eclipses anything the world has ever known. Still, having

emerged from the catastrophe, man's mind is rising over the welter of destruction in triumphant recognition of its own vitality.

It cannot be emphasized too often or too strongly that the United States is placed in the position of being able to help all the other nations, and that upon the help it renders will depend much of Europe's reconstruction. The United States is rich in resources. It is rich in man-power. *It is richest of all in the spirit of its people.* The people of the United States were awakened to their capabilities during the war, and today, with the eyes of all mankind upon them—"the eyes of the earth," as one of our statesmen has expressed it, "with hope and expectancy"—they are awakening to their capabilities during peace.

We know our capabilities are large. During the war 5,000,000 Americans were called to arms and withdrawn from productive pursuits, yet the demands of the war were fully met. The spirit of co-operation set for American industry a new record of accomplishment. It will set that record even higher if we come to see more and more clearly the interdependence of the world's people, and if we keep alive the memory that mutual help rather than mutual antipathy was the force that brought victory to the Allies arms.

By applying the lessons of war during the peace period, we shall have those same lessons impressed

more and more deeply into our minds, making us ungrudging in what we undertake to do. It is a splendid prospect that has opened before the United States; that of leading mankind back to peace and prosperity. No other nation ever had such a prospect on such a scale. It rests with us to make the most of our opportunity. As for assurance of reward, we have that in all that we see about us. War in its primitive state was offset by primitive methods. War in its modern state will be offset by modern methods. And the reward itself will be measured by the efficiency of those methods.

On the threshold of a new era, we can face what is before us with confidence in ourselves and our institutions. War is organized destruction. But war has often ravaged the earth, and, as we have shown in what has gone before, *the fact remains that mankind has advanced.* Whatever the circumstances that are given credit for material progress after other wars, the undisputable fact stands out that the opportunities supplied by those circumstances were grasped. Grasped and applied, they were made to counterbalance war's own curse, and at the same time minister to the wants and the advancement of mankind. And that will be the case from today on.

IN presenting such thoughts on the future as the compass of this volume would permit, The Mechanics & Metals National Bank of the City of New York trusts that it has provided a serviceable reference book for those whose interest in the economic significance of the war is more than cursory.

Tremendous changes were wrought by the war, not least among them being the change in the financial position of our own United States, in its relation to the rest of the world. Banking operations are being conducted on a scale that is larger and wider than ever seen here before.

Keeping pace with the growing demands upon the banking resources of the nation, The Mechanics & Metals National Bank has consistently increased its facilities and broadened its scope of operations, and invites correspondence from all those who require new or additional banking service in domestic and foreign fields.

Report of Condition

THE MECHANICS & METALS NATIONAL BANK

OF THE CITY OF NEW YORK

at the close of business, June 30th, 1919

ASSETS

Loans and Discounts	$132,242,359.44
Customers Liability Under Acceptances	1,608,292.88
Overdrafts, Secured and Unsecured	12,674.10
U. S. Bonds to Secure Circulation	3,800,000.00
U. S. Bonds and Certificates of Indebtedness	17,304,071.60
Bonds, Securities, Etc.	9,099,356.50
Banking House	3,000,000.00
Cash and Due from Banks	108,704,999.36
	$275,771,753.88

LIABILITIES

Capital Stock		$6,000,000.00
Surplus		6,000,000.00
Undivided Profits		6,392,493.18
Unearned Discount		605,365.40
Reserved for Interest and Taxes		978,273.63
National Bank Notes Outstanding		3,799,992.50
Time Acceptances (Foreign Dept.)		2,084,878.03
Bills Payable Federal Reserve Bank secured by U. S. Government Bonds		14,000,000.00
DEPOSITS		
Individual and Banks	$226,964,641.14	
United States Government	8,946,110.00	
		235,910,751.14
		$275,771,753.88

Established 1810

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